

CHAPTER VIII

FISCAL CAPACITY

INTRODUCTION

By charter, municipal governments are charged to provide services/facilities for promoting the public health, safety and general welfare and to secure and expend revenues in the execution of this charge. Maintaining a sound fiscal balance sheet is the primary responsibility of a municipal government. In periods of rapid population growth or economic expansion, the demand for municipal services/facilities can far out pace the revenues available to the community to finance public improvements. In such a situation, strain is placed on local taxpayers, services and facilities are rendered inadequate, and a municipality can over expand its debt to the point where the community's long-range fiscal health is burdened. A community can only maintain fiscal balance by evaluating future demands on public services and establishing strategies to finance such improvements over time. Often such strategies can employ land use controls or financing vehicles.

The objective of this chapter is to:

- evaluate the historical and current fiscal status of the Town of Waterboro
- determine future needs for capital improvements and services
- determine future revenue sources and the capacity of Town government to finance future expenditures
- outline strategies for coping with any imbalances in the future municipal budgets.

To accomplish these objectives, Chapter VIII will

1. Examine historical and current revenue sources and identify trends in revenues.
2. Evaluate expenditure patterns and trends over the past five years
3. Assess municipal debt loads
4. Project future demands on public services/facilities based on Scenario 1 population projections (see Chapter I) and recommended public improvements outlined in Chapters V, VII and V

5. Evaluate potential implications of capital and service improvements on the 2000 budget
6. Recommend land use policies and financing mechanisms to insure the Town can meet its financial obligations.

CURRENT MUNICIPAL REVENUE SOURCES

The Town of Waterboro obtains revenues essential for the operation of municipal services and general government from a variety of sources. These sources are represented by annually receiving funds (such as property taxes), as well as single-year revenues obtained from sources such as Federal/State grants. Revenue sources secured by the Town are illustrated in Table VIII-1 and discussed below:

1. Property Taxes

As in most Maine communities, property taxes serve as the mainstay of Waterboro's municipal financing. Over the past 6 years, property taxes have averaged 67% of the total municipal revenues, with fluctuations ranging between 57% and 73%. Lower proportions of property taxes in the Town's revenue profile during the years of FY 1986 - FY 1989 can be attributed to the sale of lien properties in Lake Arrowhead and to the balance forwarding of unspent funds from previous years. In fiscal year 1989 and 1990, however, property taxes account for 73% of the total revenues authorized by Town meeting.

Table VIII-1

COMPARISON OF EQUALIZED TAX RATES Waterboro and Surrounding Communities 1988-1989

<u>Municipality</u>	<u>1989</u>		<u>1988</u>	
	<u>Valuation*</u>	<u>Mils**</u>	<u>Valuation*</u>	<u>Mils**</u>
Waterboro	148.60	9.71	117.35	12.25
Alfred	70.45	10.90	56.15	13.68
Biddeford	795.45	15.10	581.35	16.32
Hollis	94.40	9.91	78.55	11.52
Limerick	64.85	9.91	49.30	10.59
Limington	65.05	10.24	52.80	12.62
Lyman		9.62	84.70	11.98
Newfield	58.70	10.04	44.75	13.18
Sanford	645.95	14.11	474.95	19.19
Saco	608.05	14.53	440.40	20.04

* Valuation is expressed in total equalized State valuation figures from preceding years. Expressed in millions of dollars.

** Mil rate = tax dollars per one thousand in property value.

SOURCE: Maine State Bureau of Taxation, SMRPC,
Sebago Technics, Inc., 1989, 1990

Profile of Property Tax Hierarchy

As noted in Chapters II and III (Housing and Land Use), Waterboro has been evolving into a bedroom community. The net effect on the Town's property tax profile is revealed in the relative distribution of property valuations illustrated in Table VIII-2 below:

Table VIII-2

BREAKDOWN OF PROPERTY VALUATIONS

Type	1988 Valuation		1987 Valuation	% Change
Electric Utilities	\$ 2,580,583	1.4%	\$ 2,422,419	+ 6.5%
Central Maine Power	\$ 209,114	0.1%	\$ 196,667	+ 6.3%
Tree Growth Acres	\$ 500,875	0.3%	\$ 458,624	+ 9.2%
Wetlands & Waste	\$ 850,000	0.5%	\$ 510,000	+66.7%
Undeveloped Acres	\$ 10,200,000	5.4%	\$ 8,180,000	+25.0%
Residential Lots	\$ 49,449,381	26.3%	\$40,993,970	+20.6%
Residential Buildings	\$116,681,093	62.1%	\$90,083,421	+40.6%
Commercial Lots	\$ 1,256,709	0.7%	\$ 1,014,167	+24.0%
Commercial Buildings	\$ 4,636,329	2.5%	\$ 3,944,286	+17.5%
Personal Property (Machinery & Equipment)	\$ 1,507,633	0.8%	\$ 1,366,190	+10.4%
Adjustments	(\$ 43,999)	--	(\$ 373,970)	-750%
TOTAL STATE VALUATION	\$187,795,867		\$148,611,890	+26.4%

SOURCE: Maine Bureau of Taxation Analysis; 1989, 1990

Examination of Table VIII-2 reveals the following observations:

- Residential property (buildings and land) constitute the greatest tax valuation category on the tax rolls. Although the State valuation figures for FY 1989 have not been released, the Waterboro Building Inspector reports that permitted residential construction in 1989 amounts to an additional \$11,237,783 in valuation to the Town inventory - a net increase of 6% in the total Town valuation and a 23% increase in residential valuation over the previous year.

Obviously, the jump in residential valuation is attributable to the housing boom which overtook Waterboro in the late 1980's and has been sustained through the second quarter of 1990.

- Commercial valuation is low in Waterboro, amounting to only 3% of the total Town valuation. In the past several years, expansion in the Town's commercial valuation has been moderate, with a 17.5% increase recorded between 1987 and 1988. Building Department records show that no additions to the commercial tax rolls were made in FY 1989.

Table VIII-3 also reveals that the residential to commercial valuation ratio in Waterboro is a lopsided 29:1. Although this ratio is comparable to ratios in surrounding rural communities, such an imbalance can spell trouble for the Town's residential taxpayers in the future. With a lagging commercial/industrial base and a declining seasonal home population (see Chapter III-Housing), year round residents will have to shoulder the lion's share of Waterboro's increasing tax burden. Commercial/industrial enterprises, like seasonal housing, make fewer demands on municipal services than permanent housing, thereby creating a positive tax benefit for residents.

- Utilities and C.M.P. transmission lines account for 1.5% of the Town's valuation in FY 1988 (1990 State Equalized Valuation Figures). In 1989, Saco River Telephone constructed a new switching station in Waterboro. C.M.P. is currently planning an expansion of its two transmission rights-of-way and lines to be constructed in the next several years. Aside from this upgrade, utility valuations are not anticipated to be much of a variable in Waterboro's valuation over the next decade.
- Tree growth acreage represents land that are committed to long-term forest management and timber harvesting under the State Tree Growth Tax Program (see Chapter III). Property owners receive a reduction in their property tax assessment contingent upon committing their lands to timber management for a 10-year period. The past several years have witnessed an increase in the number of program participants in Waterboro - with a 9.2% increase between 1987 and 1988 alone.

Although the Tree Growth Program accomplishes Town goals of preserving open space and encouraging sound timber harvest practices, the program represents a loss in revenues to the Town.

Table VIII-3
PROFILES OF MUNICIPAL REVENUES, 1986 - 1989
 Town of Waterboro

	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>	1986-1989 % Increase (Decrease) <u>70%</u>	1989 Per Capita <u>(4,798.1989)</u> \$401.80
Revenues						
Property Taxes	\$1,927,799.91	\$1,794,265.95	\$1,409,361.27	\$1,133,600.78		
Excise Taxes	321,904.53	291,554.61	264,016.49	220,147.45	46%	67.09
Federal Revenue Sharing	---	---	610.00	25,773.00	(-100%)	---
State Revenue Sharing	149,472.02	129,948.19	112,394.61	96,254.09	35.6%	31.15
Interest Income & Liens	128,971.60	134,434.62	69,871.96	61,276.12	110%	26.88
Departmental Revenues	108,984.37	121,035.38	52,146.92	32,721.16	233%	22.71
Education Block Grant	26,590.15	10,718.44	31,547.85	- 0 -	100%	5.54
Road Block Grant	40,714.64	28,642.30	29,301.00	22,195.36	83%	8.49
Other State Revenues	1,589.37	1,358.00	1,137.01	3,023.51	(-47%)	0.33
Miscell. Revenues	16,240.34	---	3,946.27	3,080.28	427%	3.38
<u>Special Revenues</u>						
• Lake Arrowhead Sales	---	---	823,035.00	33,507.75	(100%)	---
• RWS Baler Buyout	---	22,680.00	22,680.00	---	(100%)	---
• Westwinds Project	---	---	440.00	24,000.00	(100%)	---
TOTAL	\$2,723,659.55	\$2,538,665.84	\$2,820,488.38	\$1,655,579.50	64.5%	\$567.67

* Rounded figures

2. Excise Taxes

Excise taxes are user fee revenues received from motor vehicle registrations that are returned to the Town by the State for use in maintaining the local transportation system. From 1986 - 1989, excise tax revenues increased 46% in response to the Town population increases, as well as the rise in consumer spending on automobiles and trucks during this period.

Excise tax revenues can be anticipated to increase in the next ten years commensurate with population growth. However, if Maine slips into an extended recessionary period, the per capita excise tax may be expected to decrease as consumers hang onto their vehicles for longer periods of time.

3. State Revenue Sharing

Revenue sharing from the State of Maine represents the third largest recurring revenue source for Waterboro after property and excise taxes (1989 budget). Historically, State revenue sources have had a less significant role in the Waterboro Town budget. However, as the Federal Government shifted responsibilities to the States for distribution of Federal revenue sharing monies, the State Revenue sharing funds to the Town have increased. Since 1986, these funds have increased 46% due to the demise of the Federal funds and increases in State revenues realized during the growth boom of the 1980's.

Prospects for continued State support at current funding levels are unknown. The State's present financial woes and diminishing revenues from a shrinking employment sector and curbed consumer spending may adversely impact revenues available to Waterboro over the next several years.

4. Federal Revenue Sharing

Federal Revenue Sharing funds to local communities terminated in the mid-1980's. Direct disbursements to Waterboro from Washington are unlikely to ever resume.

5. Interest Income and Liens

Waterboro historically has earmarked funds for special projects, such as capital purchases or improvements to public facilities. These banked monies, in addition to the interest earned on the general fund, have provided the Town with additional funds ranging 2 - 3% of the annual Town budget.

However, with the public sale of lien properties in Lake Arrowhead in FY 1986 and FY 1987, in addition to reimbursement from Regional Waste Systems and funds from development projects, the Town has received windfall revenues, much of which are parked in short-term Certificates of Deposit.

In combination with revenues occurred from other lien properties in Town, these special revenue accounts have boosted the Town's interest revenues 110% from 1986 figures to \$128,971.60, or 4.7% of the FY 1989 budget.

Rates of return on this line item in the Town's revenue forecasts in the future are contingent upon prevailing interest rates and commitment of principal to capital improvements or purchases.

6. Departmental Revenues

Departmental Revenues represent funds collected by the Building Department, the Planning Department, the Town Clerk for motor vehicle registration, hunting and fishing licenses, dog licenses, filing fees, stump dump fees, recreational program fees, ambulance/rescue fees, and other miscellaneous fee sources.

Such fees have represented between 1 - 2% of the revenues in the first half of the 1980's.

However, as of 1988, Departmental revenues jumped 132% and 109% from 1988 and 1987 levels, respectively. Much of this increase was derived from the rapid climb of building permits and subdivision/site plan fees, as well as zoning fines now being rigorously enforced. For example, the Town collected over \$5,000.00 alone in FY 1989 from zoning violators. The amount of anticipated Departmental revenues in the 1990's are linked directly to the health of the local economy. When local subdivision and building activity slacks off, these fees will play less of a role in the Waterboro budget and conversely rise when the local economy is booming as it did in the last half of the 1980's.

7. Educational Block Grant

Educational Block Grants are annual funds dispersed by the State to municipalities for the purpose of assisting in funding educational programs in the regional SAD districts. Monies dispersed by the Maine Education Department are available in two separate grants:

- a. the General Educational Subsidy
- b. the Low Income Block Grant.

The dollar amount of State Educational Grants to Waterboro has been declining over the past five years, while the educational costs in Waterboro's apportionment in the SAD #57 budget has been increasing.

8. Road Block Grant

Road Block Grants are issued by the Maine Department of Transportation to the Town of Waterboro.

9. Other State Revenues

Other State revenues secured by the Town over the past five years are primarily limited to the Teacher Certification Program. Fund allocations have fluctuated only slightly over the past five years and are anticipated to continue providing modest revenues as long as the program is funded at the State level.

10. Miscellaneous Revenues

This revenue line item consists primarily of miscellaneous reimbursements from insurance premiums, unemployment compensations, and temporary loans to various semi-public events or groups. As such, miscellaneous revenues really cannot be considered true revenues but more repayments of monies the Town has expended. Over the past five years, revenues in this category have ranged between \$3,000.00 and \$4,000.00. The 1989 budget of over \$16,000.00 for this line item does not represent a trend, but simply an unusual circumstance.

12. Special Revenues

As briefly discussed in Item #5 above, the Town has received substantial revenues in FY 1986-1987 from the sale of liened property in Lake Arrowhead (\$856,542); the RWS baler buyout; and reimbursements from the Westwinds project. These revenues are one-time revenue sources and provide a substantial infusion of principal for such long-term capital funds as the Municipal Building Fund. Interest earned on these funds have been appropriated to the general fund to finance governmental administration or other capital improvements.

MUNICIPAL DEBT & DEBT SERVICING

Unlike many communities in York County, the Town of Waterboro has no long-term debt. The only debts the Town has incurred have been period Tax Anticipation Notes (TANS) which have been obtained to finance municipal services before taxes are received. TAN amounts have ranged between \$600,000 and \$500,000 and have resulted in an average debt service of \$30,480.00 over the past five years.

The absence of any long-term (5+ years) bond obligations accomplishes two goals:

- Preserves the Town's ability to secure bond obligations in the future in order to finance needed capital expenditures.
- Enables the Town to secure a relatively high bond rating (Standard & Poor or Moody's), thereby reducing the interest costs to the taxpayer. It should be noted that the absence of a track record in long or intermediate term obligations will not enable the Town to achieve an AAA rating. However, the Town's performance with TAN obligations should receive an Aaa or better rating if debentures are issued through the Maine Municipal Bond Bank.

MUNICIPAL EXPENDITURES

Waterboro municipal expenditures from 1985-1990 can be categorized into three subdivisions:

1. County Tax Assessments
2. SAD #57 Assessments
3. Municipal Government & Services

Both County Tax and SAD 57 assessments represent appropriations in which the Town legislature has little direct voice in determining. However, appropriations committed for municipal government and services are approved by the Town meeting. Often, Town appropriations for local services are tempered by the number of dollars first committed to the County and SAD 57 demands.

Both Table VIII-4 and Figure VIII-1 illustrate appropriation trends for the three basic budget categories over the period 1985 - 1990.

Table VIII-4

TOWN BUDGET EXPENDITURES 1985 - 1990

	1985	1986	1987	1988	1989	1990	% 1985-1990
County Tax	\$ 43,289 (-8%)	38,926 (-10%)	50,526 (+30%)	43,487 (-14%)	49,248 (+13%)	54,173 (+10%)	+25%
SAD 57	865,930 (+8%)	952,121 (+10%)	1,131,297 (+19%)	1,351,260 (+19%)	1,536,673 (+14%)	1,709,645 (+11%)	+97.4%
Municipal Gov'l and Services	533,450 (+1%)	700,460 (+31%)	797,442 (+14%)	1,153,801 (+45%)	1,116,970 (-4%)	1,413,505 (+27%)	+165%
Total Budget	\$1,442,669 (+5%)	1,691,507 (+17%)	1,979,265 (+17%)	2,548,548 (+29%)	2,702,891 (+6%)	3,177,323 (+18%)	+120.2%
Assessment Committed to Tax Collector	\$1,092,147(+21%)	1,116,865(+2%)	1,158,945(+4%)	1,443,987(+25%)	1,969,988(+36%)	2,485,470(+26%)	+128%

SOURCE: Waterboro Finance Committee, 1990

1. County Taxes

County tax assessments have see-sawed over the past five years ending in 1990 with a 25% increase over 1985 levels. However, in proportion to the Town's total budget, County taxes have dropped from 3% in 1985 to 1.7% in 1990.

During the 1986-1990 period, County taxes rose an average of 5% per year, keeping slightly ahead of the inflation rate. Given the fact that Waterboro receives police protection and a number of community health and elderly services in return for its taxes, the York County government is a good buy. Comparable services provided on a municipal level would cost almost twice the County tax level.

2. SAD 57 Appropriations

The rapid rise in the cost of education over the past decade is a State-wide problem that Waterboro has failed to elude. In the past five years, Waterboro's apportionment to support the SAD 57 system has risen 97.4%, or approximately 16% annually. In 1985, the average cost of educating a Waterboro student was \$999.00, while the 1989 figure stands at \$1,618.00 per student.

Table VIII-5

COMPARISON OF INCREASE IN WATERBORO
STUDENT POPULATION AND COST PER STUDENT
1985 - 1989

<u>Year</u>	<u>Waterboro Students</u>	<u>% Change</u>	<u>Cost/ Student</u>	<u>% Change Cost/Student</u>
1985	867	+ 5.2%	\$ 998.77	+ 2% *
1986	858	- 1.0%	\$1,109.70	+11%
1987	876	+ 2.1%	\$1,291.43	+16%
1988	894	+ 2.1%	\$1,511.48	+17%
1989	950	+ 6.3%	\$1,617.55	+ 7%
1985-1989	+ 83	+ 9.6%	+ \$ 398.43	+62%
1980-1989	+133	+16.3%		

* Based on a 1984 per student cost of \$976.00

SOURCE: SAD 57 School Enrollment Records;
Town of Waterboro Budget Records, 1989

This per capita cost differential represents a 62% increase, while the actual growth of the Waterboro student population has increased 9.6% from 1340 students in 1985 to 950 students in 1989. Table VIII-5 reveals that double-digit per student costs have often outpaced the rate of increase in Waterboro enrollments. The year 1989 saw only a 7% increase in per student costs; however, a substantial rise in enrollments the same year are reflected in 1990 apportionments.

Table VIII-6

**PROPORTION OF SAD 57 APPROPRIATIONS
RELATIVE TO TOWN BUDGETS
1985 - 1990**

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
SAD 57	60%	56%	57%	53%	57%	54%
Municipal Government	37%	42%	40%	45%	41%	44%
County Tax	3%	2%	3%	2%	2%	2%

SOURCE: Waterboro Finance Committee, 1990

In proportion to total municipal budgets over the past 6 years, SAD 57 apportionments have remained around the 55% mark and have decreased slightly from 1985 levels.

3. Municipal Government & Services

Expenditures covered under the Municipal Government & Services category in Table VIII-6 include:

- General Government and Administration
- Fire/Rescue Department
- Sanitation, including the stump dump, the fledgling recycling program, and fees to Regional Waste Systems, Inc.
- Road Construction and Maintenance
- Winter Maintenance and Snow Plowing
- Environmental Protection & Planning, including water testing, Building and Plumbing Departments, Planning Department, Conservation Commission and land use regulatory enforcement.
- Health and Social Services, including local and County health agencies, general assistance, the Public Library, Town festivals, parks and recreation.

Like all aspects of the Town's budget, Municipal Government Services have increased substantially in the 1980's, with a 165% rise in expenditures between 1985 and 1990 alone. Table VIII-7 below illustrates expenditure changes within the Municipal Government & Services category on a departmental basis.

Table VIII-7

SUMMARY OF APPROPRIATION 1985 - 1989
AND 1990 REQUESTS
WATERBORO, MAINE

	General Government	% of Change	Fire Department	% of Change	Sanitation	% of Change	Roads	% of Change
1985	174,245	6%	47,944	4%	49,325	-47%	214,227	36%
1986	227,844	31%	66,272	38%	87,500	77%	184,700	-14%
1987	277,035	22%	59,741	-10%	92,446	6%	148,632	-20%
1988	280,483	1%	105,329*1	76%	148,348	60%	250,039	68%
1989	317,310	13%	150,520	43%	189,915	28%	254,000	2%
1990	417,908	32%	174,020*2	16%	204,728	8%	322,000	27%
1985-								
1990	+132,455	140%	+126,076	+159%	+155,403	+315%	+107,773	+50%

	Winter Roads	% of Change	Envir. Protection & Planning	% of Change	Health & Social Service	% of Change	Yearly Totals	% of Change Per Year
1985	90,075	14%	12,070	32%	39,686	21%	627,572	8%
1986	146,310	62%	4,900	-59%	44,548	12%	762,074	21%
1987	115,000	-21%	64,983	1226%	55,403	24%	813,240	7%
1988	136,003	18%	85,252	31%	55,151	-45%	1,060,605	30%
1989	114,141	-16%	40,253	-53%	50,831	-8%	1,116,970	5%
1990	150,000	31%	50,967	27%	93,882	85%	1,413,505	27%
1985-								
1990	+59,925	+66%	+33,897	+322%	+54,196	+137%	+ 785,933	+125%

*1 Plus \$52,000 from Building Fund to purchase ambulance.
To be paid back in annual payments of \$13,000.

*2 Plus \$100,000 from Building fund to purchase pumper.
To be paid back in annual payments of \$25,000.

Table VIII-7 shows departmental expenditures have risen across the board from 1985 through 1990, with particularly sharp increases in the Environmental Protection & Planning and Sanitation departments experiencing increases of over 300%. General Government, Fire/Rescue, and Health & Local Services departments chalked up over 100% expenditure increases during the same period.

Such sharp increases in departmental expenditures can be attributed to the following:

- General Government - increases staffing, payroll, legal fees for municipal lawsuits, and the purchase of capital equipment, particularly a municipal computer and phone system.
- Fire/Rescue - purchase of two pumpers, and ambulance, and new equipment, increased memberships and higher insurance costs.
- Sanitation - closing of the Town dump, participation in RWS and construction of the Town Transfer Station, expansion of the stump dump, and initiation of a Town recycling program.
- Health & Social Services - a dramatic increase in General Assistance needs in 1987 and 1990, increasing costs for health agencies, increased demands for recreational programs, and special Town events such as "Old Home Days."

Roads and winter maintenance expenditures have not kept pace with other departmental expenditures during the 1985 - 1990 period. Increases in these areas barely kept ahead of inflation for materials and labor.

Table VIII-8 illustrates each departments' proportion of the Municipal Government & Services total budget in 1985 and 1990.

Table VIII-8

**DEPARTMENTAL PROPORTIONS OF MUNICIPAL GOVERNMENT BUDGET
1985 - 1990**

<u>Department</u>	<u>1985 % Total</u>	<u>1990 % Total</u>
General Government	28%	30%
Fire/Rescue	1%	12%
Sanitation	1%	15%
Road Maintenance	34%	23%
Winter Roads	14%	11%
Environmental Protection & Planning	2%	4%
Health & Social Services	6%	7%

SOURCE: Town of Waterboro Annual Report, 1989;
Sebago Technics, Inc., 1990.

Table VIII-6 reveals that in 1990, Fire/Rescue and Sanitation expenditures have commanded a much greater proportion of the municipal budget since five years ago. High front-end capital improvements and higher operating costs are responsible for these dramatic increases. It should be noted that those increased costs are not discretionary. Waterboro had to establish a long-range solution for its solid waste problem and has accomplished this task in its membership in Regional Waste Systems. Similarly, the Fire/Rescue Department requires very costly equipment that must be replaced every 10 - 20 years.

General government and Planning's proportion of the Municipal budget have risen modestly from 1985 to 1990. Winter roads and general road maintenance have declines. Whereas road budgets represented 48% of the Municipal Government budget in 1985, only 34% of the 1990 budget was committed to road maintenance. This fact clearly indicates that as Waterboro's growth over the past 10 years have placed new administrative and capital demands on the municipal budget.

FUTURE FISCAL PROJECTIONS

Determining the future fiscal obligations of the Town of Waterboro is an extremely difficult task. Projections for future population growth, capital improvements, and expansion of municipal and educational services can only be based upon past history and speculation of future economic and demographic patterns on a national regional and local scale. Currently both the nation and the state appear to be teetering on the edge of recession. If an extended recession does come to Waterboro, the results are anticipated to be:

- Reduced housing growth and subdivision activity

- Moderating of student growth rate in SAD 57
- Reduced commercial expansion
- Increased taxes in arrears and liened properties
- Increased demand for General Assistance and government social/health services
- Lower interest rates for municipal borrowing and lower costs for contractor services (barring events such as a future energy crisis or the federal deficit that could drive up inflation and interest rates)
- Lower excise taxes
- Decreased funding in the State and Block Grant and State Revenue Sharing programs

For lack of any better future scenario, this plan will assume that economic and growth conditions in Waterboro will parallel the cycles of the past decade - the economy will dip into a protracted recessionary period during the first half of the 1990's only to be followed by a bull market and growth boom. Population projections for such a series of events are reflected in Scenario 7 as outlined in Chapter 7.

The impact of this future growth can be estimated to have the following impacts on the taxpayers in Waterboro:

1. County Tax Assessments

In the past several years, the legislature and local governments have been considering terminating county governments in Maine. Such an event would shift social service and police protection responsibilities to the small rural communities and increase local taxes. Assuming that County Government survives and tax increases continue at 5% per year or 80,038 by the year 1999.

2. SAD #57 Future Appropriations

In the "Facilities and Enrollment Study"(1989), the SAD #57 District projects that district enrollment will rise from a 1989 figure of 2,992 to 3,911 students by 1999. The study fails to estimate the number of Waterboro students enrolled in 1999, however, it does project that Waterboro students will continue to constitute 30% of the district population. Applying this figure to the study conclusions, the Town can expect to be sending 1,173 students to SAD #57 in the 1999 school year -10 year increase of 23% over 1989 levels.

Given its district-wide projections, SAD #57 also projects that the 1999 student population will require the following new facilities:

- Expand Massabesic Junior High School to house 600 students
- Expand Shapleigh Memorial School to accommodate 125 more students
- Convert storage area in Massabesic High School to six new classrooms
- Construct Waterboro Primary School to house 300 Waterboro students (K-2) in the next six years
- Construct Limerick-Newfield Primary School to accommodate 300 K-2 students

The implications of these capital costs to Waterboro taxpayers is not provided by the SAD #57 study. Too many variables such as the State share of capital funding and construction costs preclude the formulation of any reliable estimates at this time.

However, given the past performance figures (1985-1990), per student costs can be estimated and projected through 1999. Utilizing the average annual per student cost increase of 7.4%, Table VIII-7 projects Waterboro's SAD #57 appropriation for every year between 1990 and 1999.

Table VIII-9

PROJECTED SAD 57 APPROPRIATIONS
WATERBORO, MAINE
1990 - 1999

School Year	No. of New Students	Total Student Pop.	Cost/Student* x +7.4% Annual	Total Town** = Appropriations
1990	22.3	972	\$1,800	\$1,749,645
1991	22.3	994	\$1,933	\$1,921,402
1992	22.3	1,017	\$2,076	\$2,111,292
1993	22.3	1,038	\$2,229	\$2,313,702
1994	22.3	1,061	\$2,395	\$2,541,095
1995	22.3	1,083	\$2,572	\$2,785,476
1996	22.3	1,105	\$2,763	\$3,053,115
1997	22.3	1,128	\$2,967	\$3,346,776
1998	22.3	1,150	\$3,186	\$3,663,900
1999- 2000	22.3	1,172	\$3,422	\$4,011,017

Source: Sebago Technics, Inc., 1989.

* 7.4% annual increase based on past performance; the increase most likely includes inflation adjustments as well as staff and operating cost increases.

** In 1989 dollars.

All appropriations in Table VIII-9 are expressed in 1989 dollars. Since the per student cost rate of increase most likely accounts for annual inflation, projected budgets may be overly conservative. However, the fact remains that at present growth rates, the SAD 57 appropriations will continue to increase at an alarming rate.

The Town of Waterboro does not have any direct control over appropriations and expenditures in the SAD 57 District. The only viable recourse for the Town to limit SAD 57 expenditures is for the Town to control the number of students it enrolls. Available options for controlling student populations reside with future land use policies, and include:

Option 1: Institute low-density zoning that promotes the dramatic increase of minimum lot sizes and decreases the total residential carrying capacity of Waterboro.

Advantages: Reduction of the total number of students generated by reducing the number of houses. The Town incurs no direct cost using this strategy.

Disadvantages: Option 1 would promote developmental sprawl, inflate land and housing costs, and has limited environmental justification, thereby has a limited degree of legal defensibility.

Option 2: Enacting land use regulations that encourage 1-2 bedroom housing units, smaller condominiums and attached housing, and 1-bedroom apartments. These unit types attract singles, young couples, "empty-nesters" (couples with grown-up children) and senior citizens.

Option 3: Institute a "building cap" program in which the issuance of building permits is limited to an annual ceiling number.

Advantages: Building caps automatically limit the number of houses and hence, school children produced on an annual basis.

In addition to regulatory manipulation, Waterboro officials and the Town's representatives to the School Board can insist that the SAD 57 District pursues all cost-cutting measures available and explores facility and staffing alternatives that can save tax dollars. In addition, the Town's legislative representatives should impress upon the State the need to provide adequate financing to cover new mandates in education systems.

3. Future Municipal Government Appropriations

Past Town budget reports indicate that appropriation increases for municipal government and services expenditures fluctuate dramatically from year to year (as illustrated in Table VIII-4). Since county tax and SAD 57 appropriations remain essentially non-negotiable and therefore fixed, municipal government expenditures serve as the Town's fiscal safety valve and are adjusted according to what the Finance Committee and the Selectmen believe the taxpayer will bear.

Given this situation, it is difficult to predict how municipal government expenditures will increase over the next ten years. Certain municipal services can be anticipated to increase proportionally to population growth, including:

- Solid waste disposal
- Road maintenance
- Snow plowing
- Health and social services (due to an aging population and increased recreational demand)

Predicting these cost increases is somewhat difficult, due to the fact that substantial increases in these areas is contingent upon development growth rates. However, cost projections can be made based upon a 1990 per capita cost for municipal government services and projected out to Fiscal Year 2000 based on anticipated population growth. The per capita projection method is outlined below:

Per Capita Costs = FY 1990 Budget ÷ 1989 Population

$$\$295.00 = \$1,413,505 \div 4,798$$

FY 2000 Municipal Govt. Budget = 1989 Per Capita Costs x 2000 Pop. (est.)

$$\$2,457,055 = \$295.00 \times 8,329$$

All of these figures are expressed in 1990 dollars and are expected to represent real dollars regardless of inflation factors.

The per capita cost projections above do not account for major capital expenditures that are anticipated to be incurred by the Town over the next ten years. These capital costs have been outlined in the Public Facilities, Transportation, and Recreation chapters, and are specified in Table VIII-8.

Table VIII-10

**PROJECTED CAPITAL EXPENDITURES
AND
ADDITIONAL PERSONNEL MAINTENANCE COSTS
TOWN OF WATERBORO 1990-2000**

<u>EXPENDITURE</u>	<u>COST (1990 DOLLARS)</u>
<u>Municipal Buildings</u>	\$588,000 - \$838,000
• Library Renovations & Retrofit	20,000
• Municipal Office Renovation (interior space subdivision)	8,000
• Central Public Safety/Recreation	450,000 - 500,000
• Future Library Facility (2000 sf)	110,000 - 150,000
<u>Recreation Facilities and Lands</u>	\$412,000 - \$462,000
• Land Acquisition for Town Beach	200,000 - 250,000
• Beach Development & Support Facilities	75,000
• Softball/Soccer Fields (1)	35,000
• Full Basketball Court (1)	5,000
• Picnic Area Sites (4)	2,000
• Boat Launching Parking Land	40,000
Implementation	30,000
• Nature Trails - Acquisition	--
- Educational Support Facilities	25,000
<u>Town Infrastructure</u>	\$1,409,080
• Rebuild New Dam Road	225,000
• Resurface Webber, Robert's Ridge, and Deering Ridge Road	149,000
• Rebuild sections of Webber, Robert's Ridge and Deering Road	374,880
• Site Line Improvements (See Chapter 5)	35,200
• 10-Year Program for Overlay (30 Miles - Town Roads)	625,000

<u>Public Safety</u>	\$825,000 - \$975,000
• Fire Department	
• 3 New/Refurbished Engines	600,00 - 750,000
• Equipment Replacement/Additions	100,000
• (Bunker Pants, Scott Air-Pacs, etc.)	
• Rescue	
• Replace 1979 Ambulance	65,000
• Police	
• 2 Cruisers & Equipment)	60,000
<u>Personnel/Maintenance</u> (Annual Expenses)	\$140,000 - \$240,000
• Administrative Assistant	40,000
• Recreation Director (part/full time)	20,000
• Water System Superintendent (part-time)	15,000
• Recreation Programs/Maintenance	35,000
• Librarians (part-time)	30,000
• Police (2 full time, 2 part-time)	100,000
TOTAL CAPITAL EXPENDITURES 1990-1999	\$3,234,080 - \$3,684,080
YEAR 2000 PER CAPITA CAPITAL EXPENDITURES	388 - 442
ADDITIONAL ANNUAL PERSONNEL/ MAINTENANCE COSTS	\$140,000 - \$240,000
PER CAPITA	\$16.81 - \$28.81

SOURCE: Sebago Technics, Inc., 1990

Per capita costs for capital improvements slated for the next decade are estimated to range between \$388.00 per person and \$422.00 for the Fiscal Year 2000 population. Obviously, these capital costs will be incrementally scheduled over the next decade and will have a higher per capita price tag.

Additions to Town administrative staff are projected to raise the per capita municipal government allocations \$16.81 to \$311.81 per person. If the Town finds that a skeleton police force is warranted, this per capita cost rises to \$323.81 per person. Projected in '2000 population figures, the municipal government operating budget should be as follows:

Without Police Department

<u>FY 2000 Budget</u>	=	<u>Revised Per Capita Cost</u>	x	<u>2000 Population</u>
\$2,597,065	=	\$311.81	x	8,329

With Police Department

<u>FY 2000 Budget</u>	=	<u>Revised Per Capita Cost</u>	x	<u>2000 Population</u>
\$2,697,013	=	\$323.81	x	8,329

Table VIII-11

PROJECTED MUNICIPAL GOVERNMENT & SERVICES
BUDGET, FISCAL YEAR 2000
Waterboro, Maine

Budget at Current Staffing Levels	\$2,457,055
Budget with Proposed Additional Staffing (Table VIII-8)	\$2,597,065
Budget with Additional Staffing and Police Department (Table VIII-8)	\$2,697,013

Source: Sebago Technics, Inc., 1990

Capital costs, if averaged over the 10 year period, would total between \$323,408± to \$368,408± per year, raising the total Town budget significantly. In FY 2000, these capital improvement costs will add 12%-14% to the municipal and government budget as shown in Table VIII-12.

Table VIII-12

PROJECTED MUNICIPAL GOVERNMENT AND SERVICES BUDGET
WITH 10-YEAR CAPITAL COSTS INCREMENTS
FY 1990 AND FY 2000

	<u>Municipal Budget</u>	<u>Capital Costs</u>	<u>Total Municipal Budget</u>
FY 1990	\$1,413,505	\$368,408	\$1,781,913
FY 2000 (with Police)	\$2,697,013	\$368,408	\$3,065,421

SOURCE: Sebago Technics, Inc., 1990

PROJECTED MIL RATE - FY 200

Projected property tax mil rates in the year 2000 are, of course, hypothetical based on: 1) continued per capita State revenue support and non-tax municipal revenues and excise taxes at current per capita levels; 2) projected 50%-100% increase in the commercial valuation in Waterboro; 3) projected growth rates in the residential valuation (see Chapter I); 4) evaluation of the municipal property valuation to 90% full valuation; and 5) analysis performed in 1990 dollars. Table VIII-13 illustrates the projected Waterboro Town Budget in the year 2000 based on the analysis performed previously:

Table VIII-13

**PROJECTED TOWN BUDGET AND TAX MIL RATE
FY 2000**

<u>Revenues</u>	<u>Amount</u>
Excise Taxes	\$ 495,370
Non-Tax Town Revenues	413,118
State Revenues	379,053
Subtotal	<u>\$1,287,541</u>
 <u>Expenditures</u>	
County Tax	\$ 80,038
SAD 57	3,589,678
Municipal Government & Services	2,697,013
Capital Expenditures	368,408
Subtotal	<u>\$6,735,137</u>
AMOUNT COMMITTED TO TAX ASSESSOR	\$5,447,596

SOURCE: Sebago Technics, Inc., 1990

Projected valuation in the Town of Waterboro for the year 2000 can be based (in 1990 dollars) on:

1. The 1989 average valuation for new residential units multiplied by the projected number of units built 1989-2000 and added to the 1988 Town valuation adjusted to 90% valuation (see Appendix A).
2. The assumption that commercial properties from 1989-2000 will increase the Town's commercial valuation 50%-100%.

Using these assumptions and calculations (shown fully in Appendix A) it can be determined that the Waterboro mil rate in FY 2000 will range between \$9.39 and \$9.34 per thousand dollars of value in 1990 dollars.

Table VIII-14

PROJECTED TOWN MIL RATES - FY 2000
(IN 1990 Dollars and 90% Valuation)

	<u>Valuation</u>	<u>Mil Rate</u>
Town Valuation with 50% Commercial Increase	\$580,063,898	\$9.39
Town Valuation with 100% Commercial Increase	\$583,136,528	\$9.34
Town Valuation with No Commercial Increase	\$576,991,268	\$9.44
Average Tax Bill (\$120,000 House)	\$1127 - \$1133	
Average Current Tax Bill per House	\$900*	

*Town Planner's Office

SOURCE: Sebago Technics, Inc., 1990

As Table VIII-14 indicates, the theoretical mil rate will actually be lower than the current 1989 equalized mil rate of \$9.71/thousand (Table VIII-1). In actual terms, however, the average residential tax bill will undoubtedly increase up to 25% over current levels by the year 2000. This represents an annual increase of 2.23% annually over the next ten years and covers all basic services and capital improvements outlined in this chapter.

CONCLUSIONS

1. The Town of Waterboro can financially provide necessary services to the projected growth over the next ten years.
2. Residential property taxes will serve as the revenue backbone for the Town budget in the next ten years.
3. Expansion of commercial valuation is essential to ameliorate the tax burden on the residential taxpayer. However, to maintain the current 3% of the total Town valuation, the commercial valuation will have to double in the next ten years. Therefore, promoting commercial development will not be a panacea to the residential tax burden, but increases in the commercial valuation will assuage some of this burden, while providing necessary services and job opportunities to local citizens.

4. Non-property tax revenues from the State at current per capita levels are essential to prevent a property tax overload on local home owners. If State revenue sharing did not increase but maintained its current funding level, local taxpayers would endure a 0.66 mil increase in the FY 2000 mil rate.
5. Non-tax local revenues, such as licenses, permit fees and solid waste fees play an important role in diminishing the amount of taxes committed to the Assessor. Usually, such fees are linked to development activities. It would, therefore, be prudent for the Town to continue current fee practices and assess other "impact fees" upon development that will finance maintenance and improvements necessary to serve the growing pressure on existing infrastructure. Such impact fees could be assessed for the: a) water system; b) Town roads; c) emergency services; d) recreational facilities; and municipal facilities, such as the library or future municipal building expansion.
6. The Town has no long-term debt and has the potential to prudently use this financing vehicle to fund building improvements. Short-term debt servicing for TANs is an annual expenditure that could be reduced if the Town: a) issues semi-annual tax bills; or b) changes its fiscal year in line with the SAD 57 fiscal year.
7. The Town will require up to \$3,684,080 in capital expenditures by the year 2000. To prevent fiscal crisis in any one year, it would be prudent to allocate monies for these capital improvements in various "sinking funds" on an annual basis.
8. This study also reveals that \$140,000 - \$240,000 worth of new personnel will be required by the year 2000. The most expensive expenditure in this future personnel budget is the formation of a local police force. Although the current system of using the State Police and County Sheriffs for local police protection is effective, it is unlikely that these services will be able to provide adequate coverage for Waterboro's 8,329 citizens in the year 2000.
9. SAD 57 district appropriations remain a wild card in the Town's future budget. According to SAD 57 projections, major facilities expansions will be required within the next six years and the Waterboro enrollments are projected to increase by 223 students over the next ten years. The Town cannot control costs in the district budget; however, it can manipulate the number of children that the Town sends to SAD 57 through zoning. At this time, the Town does not need to resort to such methods. However, if SAD 57 projections are woefully underestimated, the Town should be prepared to institute emergency stop-gap measures, such as building caps.

10. Waterboro has a plentiful reservoir of gravel and sand resources that are not assessed according to their commercial value. It is, therefore, recommended that the Town raise assessments on commercially operating sand and gravel operations.

RECOMMENDATIONS

1. Institute Town revaluation and update to keep property valuations at 85% - 90%
2. Establish zoning practices that will encourage non-residential development in appropriate locations so as to maintain a 3% commercial valuation in Town. This will require doubling of current commercial/residential valuation.
3. Institute semiannual property tax bills to reduce delinquent taxes and debt payments on Tax Anticipation Notes.
4. Maintain and roll-over a portion of the interest from the Municipal Building Fund to help finance projected facility construction.
5. Establish a sinking fund for Fire/Rescue capital acquisitions.
6. Formulate a progressive Road Improvement Schedule.
7. Establish a Road Impact Fee system assessed against new developments to help finance road improvements.
8. Commit an annual portion of excise taxes to road improvements.
9. Establish a Public Safety Impact system to assess new developments for upgrading emergency services.
10. Establish a higher assessment for active gravel and mining operations in Waterboro.
11. Institute a User Fee system to offset recreational operational costs.
12. Employ General Obligation Bonding capability to partially finance municipal building projects.
13. Continue to utilize contractual services for snow plowing and road and recreational maintenance, but re-assess financial advantages of this system every year.
14. Pursue all available State and Federal grants and loan programs for community development and public infrastructure.

Appendix A

CHAPTER VIII - FISCAL CAPACITY CALCULATIONS

TOWN PROPERTY VALUATION BASE - 1990

• Town Property Valuation - 1988 *	=	\$187,800,000.00
Current Valuation at 58%		
• Adjust 1988 Valuations to 90%	=	\$324,688,790.00
Full Valuation		
• Additional Residential Valuation from FY 1989 Building Permits	=	\$ 10,838,278.00
• Additional Residential Valuation from FY 1989 Building Permits for Residential Additions/Remodeling	=	\$ 298,000.00
• Additional Residential Valuation for FY 1989 Building Permit Re-issues	=	\$ 298,000.00
• Total Town Property Valuation - 1990 at 90% Valuation	=	\$439,031,568.00

PROJECTED FY 2000 TOWN VALUATION

based on Residential Valuation increases
only (figures in 1990 dollars)

- Per Residential Unit
Valuation - FY 2000

\$101,292.00

• <u>Yr-2000 Residential Valuation</u>	=	<u>Per Unit Valuation (1990)</u>	x	<u>No. Projected Res. Units Yr-2000</u>	+	<u>1989 Units</u>
\$137,959,700		\$101,292		x 1172		+ 170
• <u>Total Town Valuation Yr-2000 (Res. Increase Only)</u>	=	<u>Yr-2000 Res. Valuation</u>	+	<u>1989 (90%) Town Valuation</u>		
\$576,991,268		= \$137,959,700		+ \$439,031,568		

* FY 1988 is the latest (1990) State Valuation on the Town of Waterboro

PROJECTED COMMERCIAL VALUATION/YR-2000

SCENARIO A: Increase commercial valuation by 100% by Yr-2000

•	<u>90% Commercial Valuation (1988)</u>	=	<u>90% Valuation Adjustment Rate</u>	x	<u>1988 Commercial Valuation</u>
	\$ 6,145,260	=	1.32	x	\$4,655,500
•	<u>FY 2000 Commercial Valuation (90%)</u>	=	<u>Growth Factor</u>	x	<u>1988 Commercial Valuation (90%)</u>
	\$12,979,470	=	2.0	x	\$6,145,260

SCENARIO B: Commercial Valuation Increases 50% 1990-2000

•	<u>FY 2000 Commercial Valuation (90%)</u>	=	<u>Growth Factor</u>	x	<u>1988 Commercial Valuation (90%)</u>
	\$ 9,217,890	=	1.5	x	\$6,145,260
•	<u>Additional Commercial Valuation - Yr-2000</u>	=	<u>Projected Yr-2000 Commercial Valuation</u>	-	<u>1988 Commercial Valuation</u>
Scenario A:	\$ 6,145,260	=	\$12,979,470	-	\$6,145,260
Scenario B:	\$ 3,072,630	=	\$ 9,217,890	-	\$6,145,260

•	<u>Total Town Valuation (90%) Yr.-2000</u>	=	<u>Projected Increase Commercial Valuation</u> +	<u>Projected Residential Valuation</u> +	<u>1989 Town Valuation</u>
Scenario A:	\$583,136,528	=	\$6,145,260 +	\$137,959,700 +	\$439,031,568
Scenario B:	\$580,063,898	=	\$3,072,630 +	\$137,959,700 +	\$439,031,568

PROJECTED NON-PROPERTY TAX REVENUES

EXCISE TAXES - FY 2000

•	<u>1989 Per Capita Excise Tax</u>	=	<u>1989 Population</u>	÷	<u>FY 1989 Excise Tax</u>
	\$67.00	=	4,798	÷	\$321,905
•	<u>FY 2000 Excise Tax</u>	=	<u>Yr-2000 Population</u>	x	<u>Per Capita Excise Tax</u>
	\$558,043.00	=	8,329	x	\$67.00

The year 1989 witnessed record new vehicle purchases by Waterboro consumers. Given current economic indicators, it would be appropriate to also use a per capita excise tax figure from 1985 to make future excise tax projections.

•	<u>1985 Per Capita Excise Tax</u>	=	<u>1985 Population (Est)</u>	÷	<u>1985 Excise Taxes</u>
	\$53.10		3,060		\$162,463
•	<u>Adjusted Yr-2000 Excise Tax</u>	=	<u>Yr-2000 Population</u>	x	<u>Per Capita Excise Tax (1985 Figures)</u>
	\$495,370		8,329	x	\$53.10

TOWN GENERATED REVENUES

•	<u>1989 Per Capita Town Generated Revenues</u>	=	<u>1989 Population</u>	÷	<u>1989 Town Revenues Non-Property Excise Tax</u>
	\$49.60		4,798		\$237,981
•	<u>Yr-2000 Town Generated Revenues</u>	=	<u>1989 Per Capita Town Revenues</u>	x	<u>Yr-2000 Population</u>
	\$413,118		\$49.60	x	8,329

STATE REVENUES

•	<u>Per Capita State Revenues (1989)</u>	=	<u>1989 Population</u>	÷	<u>1989 State Revenues</u>
	\$45.51		4,798		\$218,357
•	<u>Anticipated Yr-2000 State Revenues</u>	=	<u>Yr-2000 Population</u>	x	<u>1989 Per Capita State Revenues</u>
	\$379,053		8,329	x	\$45.51

MIL RATE @ FY 2000

• Total Town Revenues (Table VIII-14)	=	\$ 1,287,541
• Total Town Expenditures	=	\$ 6,735,137
• Amount Committed to Tax Assessment	=	\$ 5,447,596
• Town Valuation - Scenario B	=	\$580,063,898
• Town Valuation - Scenario A	=	\$583,136,528
• <u>Mil Rate-FY 2000</u> = <u>Town Valuation</u>	÷	<u>Amount Committed to Tax Assessor</u>
Scenario B: \$9.39 = \$580,063,898	÷	\$5,447,596
Scenario A: \$9.34 = \$583,136,528	÷	\$5,447,596